EXHIBIT 2
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HB 362

Summary of Series LLC Bill Proposal

Good Morning Mr. Chairman and members of the House Business Committee. My name is Michele Braukman and I am here as an attorney working with the Montana Captive Insurance Association. I am here today to discuss proposed legislation to revise Montana's Limited Liability Company Act to allow for the formation of Series Limited Liability Companies in the State of Montana. Specifically, the Montana Captive Insurance Association is interested in the utilization of Series LLCs in the captive industry, as many captive insurers and members utilize this entity form in multiple other jurisdictions. Having Montana as a domicile that likewise allows for Series LLCs will continue to promote the growth of the captive industry in the State, and that is what will address today.

First, I'd like to provide you some general background about what a Series LLC is. A Series Limited Liability Company is an entity formed as a Limited Liability Company that has individual series, cells, divisions, internal funds, or portfolios. These are referred to as "series" within the LLC. The series may each have separate Members, Managers, assets and liabilities, and business purposes or investment objectives.

LLCs within Montana, at the present time, may be set up with separate classes of shares or membership interests, as well as may divide out investments and business objectives. However, this is only presently done pursuant to the Operating Agreement, and it is not further formalized in any manner. With the allowance of a Series LLC, separate membership interests, business objectives, and classes of shares can be created within the single LLC, but each series is only "responsible" to that series.

In the captive insurance industry, this is especially beneficial, as many captive insurers write various lines of business and various lines of exposure. With the utilization of a Series LLC, the captive may form various series that can account for risks and benefits separately, and can be managed by appropriate individuals separately. This can all be done under a single filing status, however, versus the company having to create multiple entities.

Series LLCs have been approved in many other states, often for use in real estate holdings and management operations. They are used in the captive insurance industry to allow an insurer to write various lines of business with different management objectives, without exposing other members in other lines of business to exposures they were not anticipating.

SUMMARY OF SPECIFIC REVISIONS TO TITLE 35

Mont. Code Ann. Title 35, Section 8 is what is commonly referred to as the Limited Liability Company Act in Montana. At the present time, it contemplates various types of LLCs, including foreign LLCs, foreign professional LLCs, domestic LLCs, and domestic professional LLCs. To revise the Act to include Series LLCs, the following changes to the existing statutes are being proposed:

1. Revision to "Definitions" – Subsection 102: The definition of allowed LLCs will be changed to reflect that a "series" or "series of members" will allow for "separate rights, powers or duties with respect to property, obligations or profits and losses associated with property or obligations" and that these will be "specified in the articles of organization or operating agreement".
2. The powers enumerated in Subsection 107 ("Powers") are the same powers that a Series LLC. This does not contemplate anything additional, therefore, with regard to powers of an LLC than is already allowed under Montana law. So, the only revision is to indicate that these same Sub(sub)sections apply to Series LLCs.
3. Where debts and assets are limited to each series, it is important for the LLC to indicate as such, for the benefit of creditors or beneficiaries to the LLC. Therefore, several provisions are added into the LLC Act that account for such a statement. Throughout the bill proposal, the language applicable to Series LLCs will indicate that the LLC must include, in organizational documents and documents registered with the State, statements that the "debts and liabilities of a series are enforceable against the assets of that series only and not against the assets of the company generally or another series". In addition, for example, Section 35-8-202 is amended to reflect that the Series LLC must set "forth the relative rights, powers and duties of the series" or that must be reflected in the organizational documents.

   In the captive industry arena, this is important to allow for insureds to be insured in various series, with rights and obligations limited to that series.
4. Series LLCs can be managed by different Managers. This is important because various Series might be appropriately managed by different Managers. Therefore, the LLC Act is revised to indicate that the management of the Series is vested in the "members associated with" that series. Subsection 208 reflects that revision. In the captive insurance industry, since insureds are also members, they may manage the

Series for which they are members, which is appropriate, but other members and insureds manage the Series of which they are likewise members – this creates efficiency in management, so that you don't have members who are insured on only one line of business attempting to understand the business needs of various other lines of business, and then making decisions on those.

5. Subsection 304, which relates to assets and liabilities of members and managers to third parties, addresses the separation of assets and liabilities within Series. This continues the concept that I have been discussing, which is that each Series is responsible to itself, and assets and liabilities are not commingled. So long as separate records and books are maintained, and the appropriate designations are made, then assets and liabilities are separate amongst Series. The revisions in this Subsection also account for different business objectives.
6. Subsection 803 adds a provision applicable to management of various Series within a Series LLC. It is intended to ensure that a Manager, even if he ceases to be a Manager of one Series, can continue as Manager of another Series, where appropriate in the organizational documents. The purpose of this is to account for the fact that different Managers can act for different portions of the Company.
7. Part 9 addresses dissolution, and it simply carries through the same terms of winding up of an LLC as already accounted for by statute. The only distinction that is made is that Series may be wound up within an LLC pursuant to vote of those members, as designated in the organizational documents, without winding up the entire company. In the captive industry, for example, this is especially important to allow a particular line of insurance, for example, to be discontinued and that series wound up, without disrupting the operations of the other lines of insurance.

Essentially, these are the proposals that the bill will address. Specifically, it will allow a business, and for our purposes with regard to captive insurance companies, separate rights, obligations, business interests, and purposes into Series, without having to create different companies. This makes the model very attractive to business owners, those in the insurance industry, investors, and members.